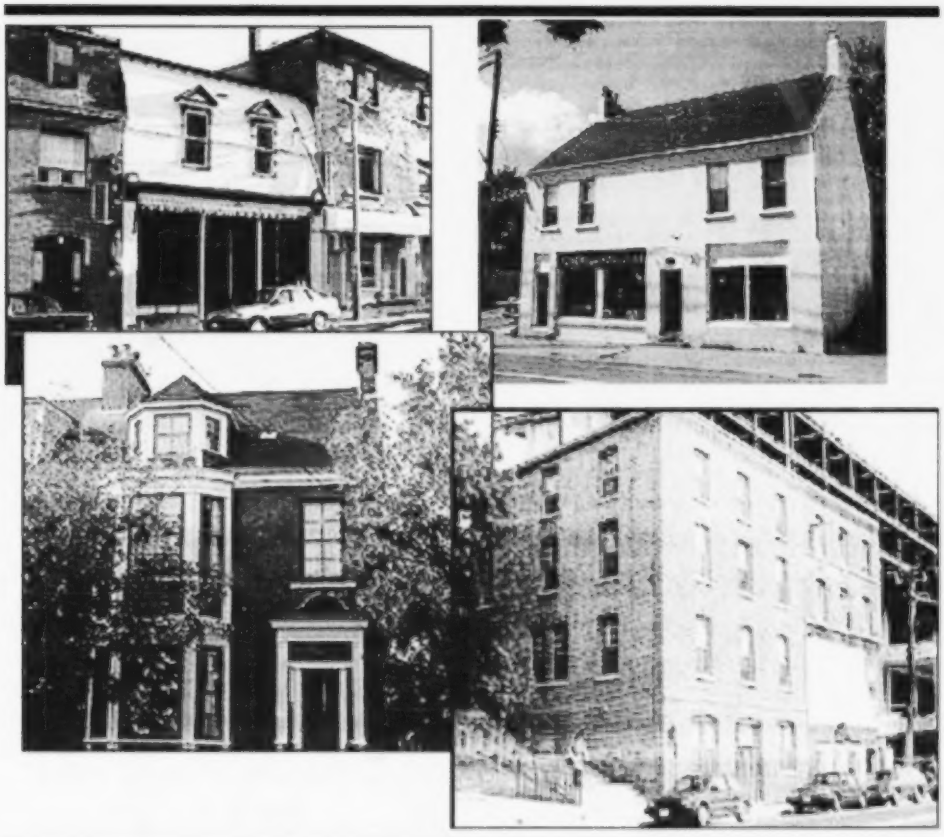
Downtown St. John's Strategy for Economic Development and Heritage Preservation



Background Report No. 3 Economic Benefits of Built Heritage Revival

Prepared by the
Study Team for the
Steering Committee

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1.0 Introduction

1.1 Background

This is the third in a series of reports prepared to provide background information leading to the preparation of a Strategy for Economic Development and Heritage Preservation for Downtown St. John's. The first of these reports described approaches to heritage preservation and economic development used in other cities in north america and elsewhere, and the second described the key issues and challenges facing the City of St. John's in developing and implementing a heritage strategy. This report documents the economic aspects of heritage preservation in the City. As required by the Study's Terms of Reference, the report describes

- the economic benefits of the heritage character of the study area;
- demographic, cultural, environmental or other benefits of built heritage; and
- the related question of how economic development and heritage can be *"sustainable"* in the context of downtown revitalization.

For convenience, these matters are referred to collectively in this report as the "benefits of built heritage revival" - a term which encompasses both protection and productive re-use of heritage buildings and area assets.

The purpose of this background report is to identify and evaluate the economic and other benefits of built heritage revival, as part of the study analysis that will inform a strategy for the future of downtown St. John's.

In developing this analysis, the study team faced several methodological and data-related challenges. Some of these were inherent to the subject-matter, while others were due to the scope of the present study.[1] Nevertheless, it has been possible to develop reasonable and supportable measures of benefits using available information for St. John's, new data developed specifically for this study and the findings of studies undertaken elsewhere in Canada, the United States and the United Kingdom.

The next two sections provide a short discussion of sustainable development, a term which constitutes the principal perspective of the overall analysis, and a brief review of several methodological issues. (More detailed discussion of relevant data considerations is presented at the end of the report in various notes.) Following this lessons from elsewhere are explored in a summary form, with a focus on key, well documented benefits. These introductory sections provide the context for a thorough examination of the case of St. John's. The benefits of built heritage revival, and their linkages to the City's economy, are then described under ten general headings. A concluding section provides a summary of the main findings, key lessons and guiding principles.

1.2 Sustainable Development

1.2.1 Origin and Evolution

In accordance with the study terms of reference, the concept of sustainable development forms the fundamental underpinning of the benefits' analysis presented in this background report.

The notion of sustainability is rooted in an international enquiry into how the drive for economic development can be reconciled with concerns for environmental protection. The term was popularized by the World Commission on the Environment and Development[2] ("Brundtland Commission," 1987). It concluded that development should meet present needs without compromising the ability of future generations to meet their needs. In an urban context, some people use the phrase "sustainable communities" or "sustainable cities."

Sustainable development means extending the economic life of the existing building stock and established districts while capitalizing on their heritage character, and encouraging a broad and equitable distribution of the benefits of this

1.2.2 Sustainable Cities

A sustainable city is one that embraces policies and practices consistent with the principles of sustainable development in such areas as

- the consumption of energy, waste management, means of transportation; and
- the use of land and building resources.

This includes work to *extend the **durability** of cities - starting with their component buildings*, as pointed out by the Federation of Canadian Municipalities when it emphasized the cornerstone role of "the built environment" in sustainability.[3] The durability of buildings is now a recognized public objective, acknowledged by the Canadian Standards Association.[4]

1.2.3 Connectedness

In the context of cities, sustainability also implies that the economy, the environment and the equitable distribution of benefits are inseparable. Among these connections, sustainability emphasizes the relationship between

- "conservation and re-use" of resources; and
- development.

This does not mean pickling cities in formaldehyde – quite the opposite. "Conservation" means

- continued use and re-use of the built heritage that is enjoyable and/or reusable;
- slowing down the process of decay; and
- maximizing the payback on society's investment in these buildings.

A stated international objective[5] is now

- to incorporate the above in urban and regional plans and procedures; and
- to realise the full economic and social potential of heritage resources.

Within such strategies the conservation, promotion and use of heritage assets are the central focus of not only physical planning and development authorization but also economic, cultural and environmental policies. In short, in Europe, the UK and in many parts of the United States, the conservation and use of heritage resources is now regarded as *the central aim and focus of urban and regional planning.*

1.3 Methodologies

There is a clear dividing line between methodologies that are focused entirely on legally designated heritage properties, and those that are broader in scope. The former recognize that, because legislation allows public authorities to control the alteration or demolition of designated properties, there are potential costs to the owners of such properties that do not affect the owners of non-designated properties.

This report uses four methodological approaches which are used internationally when considering the economic benefits and linkages of built heritage revival[6]:

- ***Real Estate Economics Approach***, i.e. economic capacity, measures of return, value as an asset and attractiveness as an investment, etc.;[7]
- ***Economic Impact Approach***, including both direct and multiplier effects, and incorporating what are referred to as indirect and induced economic consequences;[8]
- ***Welfare Economics Approach***, which measures benefits that accrue not only to those who pay for them but also to others in society at large (the externalities);[9] and
- ***Composite Method,*** in which several different methods are used in combination with one another.[10]

1.4 Experience of Other Jurisdictions

Background Report No.1 Case Study Analysis, described in some detail the experience of other jurisdictions in maximizing the benefits of their built heritage. However, a number of key points deserve further discussion in the context of downtown St. John's. This section describes

- the advantages of built heritage revival in terms of economic, social, cultural and environmental dimensions which have been widely demonstrated in Canada and abroad;
- key facts and figures on economic performance from a number of investigations; and
- other sources and data which illustrate how built heritage revival performs as an economic development strategy.

1.4.1 The Spectrum of Advantages

Various reports in other cities have discussed the following benefits:

- Improved competitiveness of revitalized historic downtowns;
- Greater investment in prestige or special locations of high amenity value;
- Improved quality of life in neighbourhoods;[11]
- Increased property tax revenues from renovated buildings;
- Increased activity in the building supplies and construction sectors;
- Increased tourism revenues;
- A geographic focus for increased cultural activities and cultural industries;[12]
- Improved competitiveness for locations/settings for the film and television industries;
- Business for professional services in conservation/rehabilitation;
- Improved and enhanced local employment opportunities in several sectors;
- Possibilities of converting redundant buildings to affordable housing;
- Saving and re-using the resources embodied in the existing building stock;
- Reduced flow of waste materials to landfill sites from demolished structures;
- Curbing urban sprawl and the cost of related new infrastructure;
- Enhanced community and civic pride.

The extent to which any community capitalizes on these potential benefits depends on the opportunities afforded by its particular location, its stock of heritage buildings and areas, its socio-economic setting and other factors.

1.4.2 Comparisons

Despite any methodological differences, data available from other jurisdictions demonstrates that built heritage plays a vital economic role:[13]

- In the case of New Jersey - which, given its lowrise but relatively high density clapboard construction has certain similarities to St. John's - rehabilitation of heritage buildings has grown to the point that it represents a significant proportion of GDP;[14]
- In the case of California, which is often assumed to be more interested in high-tech than in heritage, the figures also demonstrate not only the monetary importance of heritage, but also how the benefits are "spread around" the population.[15]
- In Virginia, the impact of heritage on tourism is such that expenditure on "heritage tourism" is two and a half times expenditures on other tourism.[16]
- In the United Kingdom, and in Rhode Island, studies have shown that private expenditures on heritage buildings outpaced public expenditures by a factor of between 6:1 and 9:1.[17]

1.5 The St. John's Experience

1.5.1 Heritage Revival and Downtown Investment

During the past twenty-five years, a number of important initiatives have contributed to built heritage revival in downtown St. John's. These are briefly summarized below:

- **Housing Programs:** The initial investments were made from the mid-1970s to the early 1980s, focused primarily on the regeneration of residential areas, with programs for "neighbourhood improvement" and "residential rehabilitation.[18] Thanks to tripartite governmental support, 1760 dwellings plus infrastructure were improved.
- **Heritage By-law**: In 1976, this investment was further encouraged by the City's designation of a 65-acre Heritage Conservation Area and by a new Heritage By-law (1977). The provincial enabling legislation for the by-law, *An Act Relating to the Municipal Affairs of the City of St. John's*, indicated that, in exercising its powers through this by-law, the City would consider, among other things, "the costs and benefits of preservation" (Section 355, 31b).
- **Conservation Area "Demonstration"**: The Heritage Canada Foundation then chose St. John's as a "demonstration" for its Area Conservation Program. It provided financial assistance, through the St. John's Heritage

Foundation (established in 1978), for residential heritage property rehabilitation and resale.[19] These foundations helped launch a market for conserved heritage residential properties, which has since been expanded by private sector investors. The "demonstration" in the residential part of downtown had achieved its objective.

- **Murray Premises:** On the commercial side, the St. John's Heritage Foundation was also the prime mover in the restoration and adaptation of the Murray Premises, with support from Parks Canada.[20]

- **Main Street Program:** The Heritage Canada Foundation's Main Street initiative in the mid-1980s (funded by the Foundation and the City, and coordinated by the St. John's Downtown Development Commission), also achieved some success in commercial building rehabilitation and enhancement, mostly with facade improvements. Some enhancement initiatives were also undertaken in the George Street area, though with mixed results.

- **The 1990 Plan**: In 1990 the St. John's Municipal Plan's treatment of the heritage downtown was revised. Relevant heritage conservation policy and planning procedures formerly embodied in the *Heritage By-Law* are now addressed in the Development Regulations. Since the early 1980s, the City has legally designated a number of individual heritage structures downtown (37 for the entire city as of 1999). Until 1995 the City made grants in aid of conservation (up to $6,000) to designated residential properties.

- **Downtown Revitalization Program**. In 1993 the Downtown Development Commission (DDC) and the City of St. John's launched a four-year cost-shared initiative to plan and implement a number of capital and infrastructure improvements in the downtown core. This agreement was initially for $300,000 per year with the City providing $240,000 and the DDC the remaining $60,000. Additional funds were provided in 1993 and again in 1999. This joint initiative is designed to further support and encourage the revitalization of the downtown commercial core through a variety of small and larger scale physical enhancement projects including street and sidewalk upgrading, the installation of trees, planters, decorative garbage receptacles, underground electrical conduit and decorative lamp poles. During the past six years, significant improvements have been undertaken along many parts of Water Street, on George Street and in several of the laneways connecting various streets in the downtown core. Overall program expenditures (including projects scheduled for 2000) to date have been $1,655,000, and its is widely acknowledged that these investments have made a substantial improvement to the appearance and character, as well as to the business climate, of the downtown.

1.5.2 Outcome

By the early 1990s, a significant portion of the housing stock in both the 'historic core' and in other 'heritage areas' had been rehabilitated, and comprised a mix of low, medium and high-end property values. Though the downtown residential property market bottomed out at mid-decade, it recovered shortly after and is currently a seller's market characterized, according to interviews with the real estate industry, by:

- Very strong consumer demand for downtown properties from new, prosperous buyers; and
- A new wave of "gentrification" which is raising the standards of rehabilitation work and also putting some pressure on older, established residents to either improve or sell their properties.

In the commercial and non-residential core of the downtown, the physical and economic revitalization and investment in property rehabilitation did not, at least initially, keep pace with investment trends in the residential areas of the downtown. During the 1980's a Main Street Initiative in the George Street area gave some encouragement to the process, but with mixed results. However, in the past five years there has been a major physical improvement in the downtown commercial core as well as in economic activity levels. This has been due to several factors including City and business sponsored marketing and planning studies, a variety of promotional and economic development initiatives undertaken by the Downtown Development Commission and also a general improvement in the overall municipal and provincial economies.

Briefly, the situation may be summarized as follows:

- Several local merchants have made significant investment in their premises during the past several years in order to improve competitiveness against the chain stores in suburban malls.
- Nevertheless, many older, privately-owned buildings in the commercial core have not yet been appropriately rehabilitated.
- Similarly, several prominent older publicly-owned properties have been neglected, or allowed to decay, and many are currently under-utilized.
- The downtown also contains many important institutional and ecclesiastical buildings in varying states of repair and use.

2.0 Analysis of Benefits

2.1 Overview

At present, a national, e.g. Statistics Canada, database containing comprehensive economic data on heritage revival or rehabilitation activities does not exist. However, by drawing on a variety of sources, it is possible to assemble much of the data required to identify and quantify (where appropriate) the tangible benefits of built heritage revival.[21]

Although the primary focus of this analysis is on benefits that accrue to St. John's; some benefits to the Province and to Canada are also noted. Ten areas of benefits have been identified:

- The renovation industry
- Employment
- Property values
- Municipal taxes
- Tourism
- Retail trade
- Attracting residents
- Civic amenity
- Arts and cultural industries
- Environment

In keeping with the idea of connectedness implicit in the notion of sustainable development, many of these topics overlap, and should not be viewed in isolation.

2.2 Renovation Investment

Basic work on older buildings includes expenditures

- on repair and maintenance; and
- on mechanical/electrical upgrading/updating.

This might be called "basic heritage-type work" - even if it does not include some of the high quality facade or cosmetic work which often accompanies stand-alone major heritage restoration projects, such as the current restoration of the Benevolent Irish Society (BIS) Building by Nolan & Hall. (Neither Statistics Canada nor CMHC collect data specific to such projects, though the CMHC data of this nature is increasing each year.[22])

By drawing on data from various official sources it is possible to place a reasonable value on downtown renovations in the City of St. John's.[23] "Basic heritage-type work" is just one component of the overall industry, and like all renovation, conventional economic analysis considers any such expenditures to be an *investment* rather than a *benefit* (that is an input, not an output).[24]

Some idea of the expected size of the heritage-type work component of total renovation activity for the Census Metropolitan Area (CMA) can be extrapolated from CMHC data[25]:

- Total residential renovation expected in the Province in 2000: $439 m
- Proportional share for the *City* of St. John's: $82 m
- Proportional share for St. John's *CMA*: $142 m[26]
- Proportional share of renovations - pre-1945 dwellings in the CMA[27]: $17 m
- Proportional share of renovations on *downtown dwellings*[28]: $8.6m

A conservative estimate for downtown "ICI" renovations (*Industrial-Commercial-Institutional*) in 2000 is $5 million.[29] In other words:

- Total downtown renovations (residential *plus* non-residential): $13.6 m[30]
- Total renovations (residential plus non-residential) on *pre-1945* buildings in the CMA: $26.9 m
- Total basic heritage-type work (residential plus non-residential) on pre-1945 buildings in the CMA: $9.6 m

International experience shows that rehabilitation of historical districts fosters additional rounds of investment in renovation in other nearby areas. The "Keeping-Up-With-the-Joneses" phenomenon is a powerful motivator for other investors.

As noted above, this 'basic' work does not include any investment in restoration or in cosmetic improvements, or in major built heritage revival projects (such as the BIS). Nor is it possible to anticipate the level of investment which could be achieved if heritage-type renovations were more actively promoted. If these factors were to be taken into account, the industry forecast for basic heritage-type work in the City for 2000 would very likely be well over $10 million.

2.3 Jobs

Although it is sometimes difficult to compare job creation in one sector of the construction industry with another,[31] we can extrapolate the following from CMHC data. It applies to direct jobs, plus indirect and induced jobs (e.g. for supplies, accounting etc.[32]):

- The total number of direct, indirect and induced jobs in the Canadian residential renovation sector is 505,000;
- Residential renovation activities generate about 3,000 jobs in the St. John's CMA;[33]
- Considering the above, the total number of direct, indirect and induced jobs in the CMA, from both residential and ICI renovation, would be 4,700;[34]
- Construction and rehabilitation work on pre-1945 buildings sustains 565 jobs;[35]
- As such, the total number of jobs generated by various kinds of heritage revival work is in the vicinity of 200.[36]

How does this job creation pattern compare to new construction? To answer this two considerations must be noted:

- In 1986 CMHC reported that direct renovation employment generated by a given amount of investment was *over twice the direct employment provided by an identical investment in new construction; and that the total employment (direct, indirect via suppliers, and induced through related economic activity) was still substantially higher, in the case of renovations as opposed to new construction.* [37]
- A later study using different definitions reported a narrower maargin of comparative advantage for renovations yet with *a rate of job creation better than almost any other industry in Canada* [38]
- In addition, studies have found that the employment benefits generated by renovation activities have a more significant *local-level* impact compared to new construction, primarily because, in the latter, more of the indirect and induced employment benefits tend to accrue to locations in Central Canada. Heritage rehabilitation relies more heavily on *local* crafts/trades people, using local materials, whereas new construction often relies on components manufactured elsewhere.

A study in New Jersey, specifically comparing designated heritage rehabilitation with new construction, similarly demonstrated the advantage of the rehabilitation sector.[39] More important, the study results suggest that rehabilitation has its greatest comparative advantage over new construction at the local level in the creation of jobs resulting from direct expenditures on construction. Transposed to St. John's, this kind of analysis suggests that the downtown investments from 1995-99 would have generated an $16.2 million in spin-off household income elsewhere in the economy; and these downtown property improvements

would have generated an additional $1.5 million in household income, compared to identical investment in new construction.[40]

Finally, although only a portion of the millions of dollars spent annually in St. John's on building repair and upgrades can be classed as 'heritage-type' property improvements in the downtown, international experience suggests that *high-visibility* centrally-located rehabilitation projects (particularly large buildings that are completely transformed) induce other owners and investors to consider similar projects. In other words, these projects have a *catalytic effect* on investment with regard to building improvements throughout the rest of a municipal economy like St. John's.

2.4 Property Values

2.4.1 Investment

Since a significant number of downtown buildings lie within designated heritage areas, it is possible to measure trends in apparent property values for rehabilitated properties. And, using information from the City of St. John's, the effect which individual and area designation has had on property values can be examined.[41]

One measure of investor confidence concerning stable or rising property values downtown is a comparison between

- investment in renovation (residential and non-residential) versus;
- investment in renovations and new construction combined.

From 1986 to 1999, according to City of St. John's information

- $72 million was invested in renovations only;
- compared to a total investment of $111 million in renovations and new construction together.

Since much of the downtown is within legally designated heritage areas, these data suggest that investors consider heritage areas and properties a good risk in terms of the expectation of increased property values and, for that matter, in comparison to other investment options with respect to return on investment.

Over the past 14 years renovation has comprised about 65% of all investment in downtown construction.

2.4.2 Value

The City's aggregate property assessment data (Census Tracts 6, 7, 8 and 10) is summarized in the following table:

Residential Realty 1996	Residential Realty 1999	Business Realty 1996	Business Realty 1999
$ 140,669,908	$ 157,661,426	$ 179,941,801	$ 171,532,552

These figures show that over the last three years, assessed property values have

- risen some 12% for residential realty; and
- been reduced by some 5% in business realty, due to factors including (a) a series of roll backs because of the assessment appeals process, and (b) the application of a different mathematical formula for assessments during the period under investigation.

In absolute terms, residential realty increased by about $17 million while business realty decreased by about $8 million: for a net increase of total property assessment in the downtown of $9 million. With respect to commercial property values, City managers note that the actual trend has likely been relatively stable. Accordingly, the net increase in the actual downtown residential property realty assessment (1996/99) is probably close to $17 million.

When residential realty value is considered, the traditional downtown area (Census Tracts 6,7 and 8) accounts for $15.4 million of the overall increase in property values.

The inner-city, comprising the residential neighbourhoods nearest the Harbour (Census Tracts 6 and 7) including a large portion of the legally designated heritage area, accounts for 90% of the increase in residential realty assessment value.

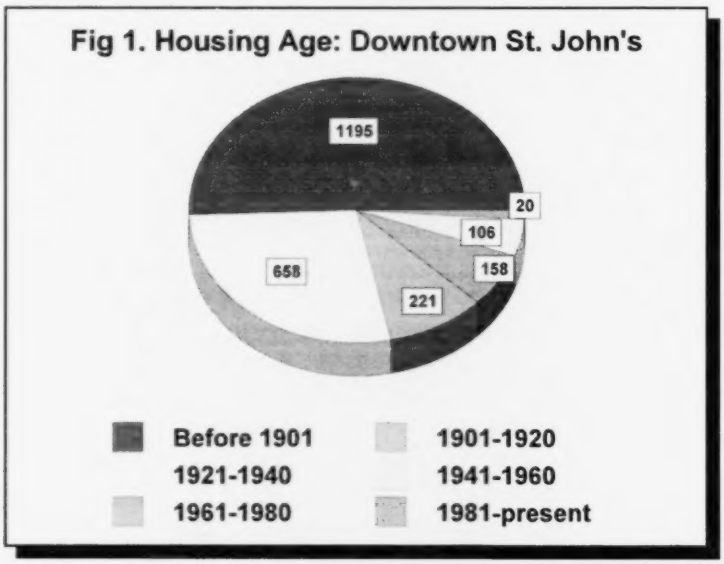
2.4.3 Building Profile

Data provided by the City show the breakdown of building types downtown as follows:

- Residential - 2325
- Commercial - 475
- Industrial - 14
- Institutional - 31
- Religious - 17

These figures indicate that residential properties comprise 81% of the total of 2,862 buildings.

Discussions of built heritage focus primarily on those buildings constructed prior to1940.[42] As shown in Figure 1 below, and discounting those buildings where no age is given (a total of 783), it can be seen that ***pre-1940 buildings account for the majority - 88% - of downtown residential properties.***



Source: City of St. John's, 2000

2.4.4 Trends in Real Estate Values[43]

As indicated above, residential realty value in the study area has increased by $17 million since 1996. Part of this increase is due to the normal appreciation in real property and this eventually translates into additional tax revenue for the City. But a significant portion of this

rise in realty value has also been due to the increasingly strong consumer demand for residential properties in the downtown area particularly in the last three to four years. At present, the downtown residential area is considered a very 'hot market'.

Analysis of available real estate sales data indicates that more than 450 properties have been purchased or changed hands since 1996. The total value of these transactions is over $30 million, representing about 47 % by quantity, and just over 54% by value, of all (895) property sales in the City's older residential sections (defined by the St. John's Real Estate Board) comprising MLS Area 3.

Almost a third (29%) of all sales of individual dwellings (as opposed to condominium units) within the study area have occurred on six downtown streets: Gower, Bond, Victoria, Pleasant and Patrick Streets and Queen's Road. These six streets accounted for more than a third (34%) of all sales within the study area during the past four years.

Comparisons of the average selling price of properties in this area illustrate the trends in downtown real estate values:

- Average selling price of all residential properties in MLS Area 3: $65,000
- Average selling price of 113 residential properties on six selected streets: $78,500
- Average selling price of 70 properties on Gower, Bond and Victoria Streets: $86,450
- *Factor by which the value of properties sold on six selected downtown streets exceeded the Area 3 average price: 1.21*
- *Factor by which the value of properties sold on Gower, Bond and Victoria Streets exceeded the Area 3 average price: 1.33*
- Average selling price of all (207) properties in Area 3 in 1999: $70,000
- Average 1999 selling price of 22 properties on Gower, Bond and Victoria Streets: $98,500
- *Factor by which the value of properties sold on Gower, Bond and Victoria Streets exceeded the Area 3 average price in 1999: 1.41*

In the area of residential realty tax revenue:

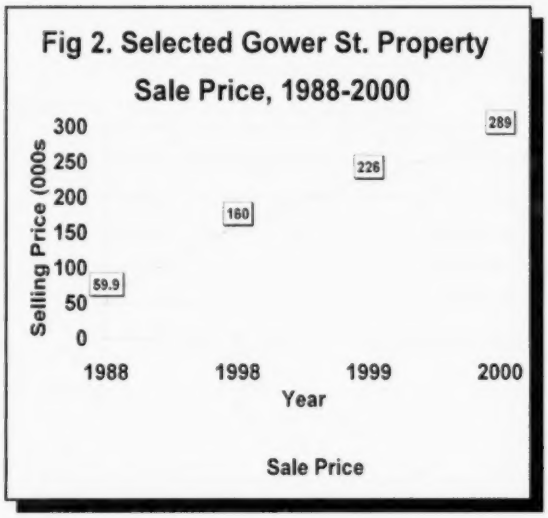
- Estimated market value of all 395 properties sold in the study area during the past four years: $31 m[44]
- *Estimated residential realty tax revenue these 395 properties will generate for the City of St. John's in the year 2000: $356,500*[45]

2.4.5 Case study: Gower Street

Gower Street is worth singling out as the following trends for 1996-1999 illustrate:

- Total number of property sales: 41
- Total market value of all property sold: $3.63 m[46]
- Number of sales on the north side of the street: 22
- Number of sales on the south side of the street: 14

- Average market price, north side properties: $74,040
- Average market price, south side properties: $105,505
- *Factor by which values of the south side of the street exceeds those on the north side: 1.43*



This data shows that the average price of residential properties on the south side of Gower St. were 43% higher compared to those on the north side of the street. In 1999 there were 14 property sales on this street. The average market price of six houses on the south side of Gower had risen to $117,800, compared to the eight north side sales whose average selling price was just over $87,000. Thus, in 1999, the north-south price differential was slightly lower - 1.35.

The strong consumer demand for Gower Street properties is part of a well-established trend. For example, since 1987, there have been a total of 128 property transactions on this downtown street. During 1987/1988, a total of 25 houses were purchased: the average market price for that period was $75,000. A number of properties have also changed hands several times, each time at a significantly higher price. One property (Figure 2), for example, sold for $59,900 in 1988, for $160,000 in 1998 and then again in late 1999 for $226,000: the property has therefore appreciated in value by a factor of 3.75 in the space of 12 years. This property is presently back on the market at a list price of $289,000. Should it sell at its list price, the value of this particular property will have appreciated by a factor of 4.8 in the space of twelve years.

2.4.6 The Real Estate Perspective

Why has there been an upsurge in market demand for the downtown, driving the market value of properties up, sometimes by over 300% in a decade?

Although the terms of reference of this study did not include polling, a picture of investment motivations was obtained by consulting selected members of the real estate community. Several factors were cited:

- a continent-wide return to downtowns, as these become "fashionable" again;
- a widespread sense that these locations are "improving" (thanks, in large part, to widespread property improvements), and that the location will likely increase in value; and
- increased appreciation of "access to the downtown" and to the "downtown

lifestyle" etc.

Although 'appreciation of heritage' – particularly the aesthetics – is considered a complementary factor, it is seldom mentioned as a separate factor, but tends to be assimilated into the other factors.

However the above factors still do not explain why houses of similar style and construction on the same streets would encounter such differences in market value. In fact, based on conversations which the study team had with various realters and other members of the real estate community, there was a unanimous view that, considering standard real estate principles:

- *the fair market value of certain properties is consistently higher than others because they are in a location undergoing higher demand.*

According to the real estate agents consulted, one of the key factors which accounts for the fact the south sides of streets like Gower and Bond are in higher demand than the north side is that their *location* has a "more desirable view". This can be confirmed any day of the week, by simply reading the real estate ads for these properties (e.g. house with a "view of Narrows"). Realters word their ads like this for only one reason: *because it sells.* In other words, the only apparent and logical explanation for the manifest dichotomy (ranging between 15% and 45%) in prices is that many consumers are clearly prepared to pay for a "better location" - which, in downtown St. John's, is what the real estate community identifies as a harbour view.

2.5 Municipal Taxes

2.5.1 The Basis in Principle

Property values drive tax assessments and subsequently generate revenues for a municipality in the form of residential and business realty/occupancy taxes. However, in some respects, property tax increases are a double-edged sword:

- municipal governments enjoy the benefits;
- owners of renovated properties shoulder the burden.

The higher taxes that result from renovation may discourage some property owners from making property improvements. This is especially the case with low-to moderate-income households in residential areas. On the other hand, municipal councils encourage growth in the local tax base in order to provide necessary services and public works that benefit all taxpayers, which in turn attract new investment to the community.

The City of St. John's is enjoying an increased (or, minimally, a stable) tax base from the investment which has been made in downtown properties:

- individual heritage properties have increased in value; and
- this investment has also improved the overall character of the designated heritage areas, making them even more attractive to investors.

The rehabilitation and renovation of buildings with "heritage character" has contributed significantly to the net increase in the downtown tax base, and there is every indication that this can be sustained in the future.

2.5.2 Impact on the Tax Base

The impact is somewhat different for residential and ICI properties. On the residential side, given the current mil rate of 1.15%,

- every $1 million in residential realty property has a value of $11,500 in direct property tax revenues for the City;
- Renovation investment during 1996 to 1999 on downtown housing (88% of which is composed of pre-1940 buildings), totalled approximately $5.6 million; and
- It is estimated that basic "heritage-type" work would have contributed $22,476 to City coffers, and on that basis, *the projected ten-year tax benefit to the City resulting from basic "heritage-type" work in the residential downtown would be in the order of $75,000.*[47]

On the ICI side, the figure would be much higher. Although it is impossible to offer an exact figure because the mil rate in the ICI sector is multi-tiered, the fact that ICI mil rates are higher, and that total non-residential renovation expenditure from 1996 to 1999 was $19.5 million, i.e. *roughly three and a half times that for residential renovation*, it follows that

> *the projected ten-year tax benefit to the City resulting from basic "heritage-type" work in downtown non-residential buildings (that is within the ICI sector) would be in excess of $250,000.*[48]

As mentioned earlier, this includes only basic work like maintenance and repair, along with upgrades to plumbing and wiring. It does not include the appreciation in value, assessment and taxes resulting from cosmetic improvements and/or major rehabilitation of heritage properties.

2.5.3 A Brief Comparison

Another important hypothetical question is this:

- even admitting that rehabilitation projects and other work on the older building stock are progressively improving the tax base,
- wouldn't this be *eclipsed* by a skyrocketing tax base ...
- in the event that several blocks of older lowrise buildings were *replaced by highrises*?

There is still a belief, dating from several decades ago, that highrises invariably improve the municipal tax base far more than any form of development.

This conventional wisdom started to come under scrutiny when it was discovered that strict adherents, i.e. municipalities that tried to solve their financial problems by approving more highrises, actually compounded their debt problems. The most spectacular example was New York: the frenetic building boom of the 1960s brought the City to the brink of formal bankruptcy by 1975. How could this have occurred?

The answer is not complex.

Any business person knows that, in a financial transaction, *it is not the gross income that counts: it is the net profit and the rate of return.* Highrises multiply the tax base – but they also multiply the demand on services, and these cost municipalities, and their taxpayers, real money. The cities which relied on a highrise boom to improve their fiscal bottom line invariably underestimated the long-term financial impacts - not only on water and sewer facilities and traffic, but on the entire carrying capacity of the city-wide infrastructure. They also underestimated the impact on surrounding property values: although nearby properties became interesting to speculators, they became less interesting to people who wanted to maintain existing uses. In some cities, the result was a significant decline in the market value of nearby or adjacent properties.

In the wake of the New York paradox, Price Waterhouse undertook a major study of this matter for the City of North York.[49] The findings demonstrated that the gross fiscal benefit of highrises to a tax base can be offset – and, in some cases, be exceeded – by the cost to the municipality. The same conclusion was being reached in other studies across North America. By 1987, the editor of *Building* magazine was advising that "renovation is adding more to the net municipal tax base more quickly than new construction"; and in the United States, it made the cover of *Time* magazine[50], which reported that renovation had become the *instrument of choice* for money-conscious American municipalities.

The same conclusion was articulated in a 1990 publication by the Federation of Canadian Municipalities[51]: "Although renovation adds to the property tax base, it seldom requires new infrastructure, unlike new construction. That means that a million dollars of renovation investment usually results in a higher net increase to the municipal tax base than a corresponding investment in new construction".

The above realization may come as a disappointment to some municipalities. Elsewhere in Canada, one still meets officials who like highrises because they are highly visible; sometimes, they are even architecturally dramatic; and a cluster of highrises, according to the thinking of the sixties, proved that a city had 'arrived'. In comparison, work on renovation, maintenance and repair is generally low-key; the fact that they keep adding *net* dollars to the tax base – 65% of all downtown construction activity year after year – often escapes political attention.

It has not escaped economic realities, however: since, in the final analysis, the right choice is 'money in the bank'.

2.6 Tourism

2.6.1 The Stakes

In Canada tourism is now acknowledged as a key sector of the national economy,[52] and in 1999 the tourism sector (including domestic tourist activities) was worth an estimated $600 million to the Province's economy. Since the end of 1996, the number of non-resident visitors to the Province has increased by 31 per cent.

Between 1996 and 1998, tourism visitation to the City of St. John's increased by 37.1%:

- In 1998, 258,872 out-of-Province visitors came to the City, spending an estimated $95.9 million in the St. John's region.
- These visitors came to St. John's for business (31.6%), pleasure (38.5%), and to visit friends and relatives (26.3%).
- Motorcoach travel is also increasing: in 1998, 203 buses and motorcoaches exited at Argentia, 16 more than in 1997. For most, if not all of these tours, St. John's is a prime destination of their travel itinerary.

The 1997 Auto Exit Survey indicates that, for non-resident auto visitors,

- the average length of stay for a visit to the Province was 11 nights, up from 10.6 in 1993.
- St. John's captured 47.4% of party visits - the highest of all areas measured - as well as the highest percentage of party nights (18.6 %).

Of the top five provincial attractions visited by non-resident auto travellers, the City of St. John's was the most important: 64.4% of these visitors came to the Capital City.

2.6.2 The Rationale

According to the above studies, one of the reasons St. John's is a primary destination for out-of-province visitors is because it has a critical mass of commercial, cultural, historical and natural/scenic attractions which these visitors desire, including Signal Hill and Cape Spear National Historic Parks, the historic downtown, the Grand Concourse, Rennies River Trail and Quidi Vidi Village.

The benefits of cooperation between tourism development and heritage are considerable. When a city or other area has heritage assets to promote, it provides a marketing "hook", a reason for people to visit. The international tourism research shows that

> *people are especially attracted to places that look and feel distinctive, even "foreign", and have something different from what they can experience at home. They are especially attracted to districts where they can enjoy an authentic built heritage environment, engage in conversation with members of the host community, and experience the pulse of day-to-day life.*

Visitors to heritage areas spend money in shops, restaurants, entertainment places, hotels, inns and Bed-and-Breakfast accommodations, thereby expanding the local and regional economies.

In the American study data presented earlier, heritage tourism ranks first among the several economic impacts of historic preservation, and significantly outstrips other types of visitor spending. The revenues produced by visitors not only benefit those conducting business in heritage premises or trading on a 'heritage atmosphere' but also help offset the costs of maintaining and operating public heritage sites.[53]

2.6.3 Bed-and-Breakfast Accommodations

In St. John's, accommodation provided by Bed-and-Breakfast (B&Bs) establishments trading on 'heritage' is a good barometer of the economic contribution of heritage to the tourism industry, and to the local economy. Recently, there has been a significant expansion in this type of accommodation within St. John's. According to the Department of Tourism, Culture and Recreation

- Since 1995 there has been a fivefold increase (from 8 to 41) in the number of such establishments, and a sevenfold increase (27 in 1995 to 187 in 1999) in the overall number of B&B rooms.
- In 1999, there were about 22 B&B establishments in St. John's. Seventeen of these operations were located in the downtown area[54], and two of the non-downtown establishments are located within a few hundred feet of the study area boundary.[55]
- A recently published brochure (March 2000), describing most of these establishments in some detail, promotes B&Bs as 'unique accommodations'.

Each of the seventeen Bed-and-Breakfast establishments in the downtown is located in a heritage property and, in the City as a whole, there are only two that are not in a heritage structure.

From the standpoint of the business community, therefore, there does not appear to be much doubt about the importance of the appeal that heritage has for tourists. Discussions with several B&B operators indicate that currently,

- the typical B&B generates annual gross revenues of about $50,000 from room sales[56];
- B&B clienteles are generally people with higher-than-average incomes;
- These visitors have a strong preference for B&B accommodation and are primarily attracted to downtown St. John's because of "its character and ambience" as well as its proximity to historic sites, commercial, retail and eating establishments and to various walking routes and marine tours;
- In addition to their accommodation expenditures, these visitors are estimated to spend an average of about $200 per day (on meals, various retail products,

car rentals and arranged tours).

In their marketing efforts, all of the downtown B&Bs rely heavily on several key features. According to various operators, these include the following:[57]

- heritage-style interior ("fully refurbished historic property");
- proximity to the historic downtown area and the Harbour ("located in the historic heart of St. John's");
- easy access ("a stone's throw away") to historic sites and buildings (museums, churches, etc.);
- views ("a million-dollar view", "breathtaking view of the Narrows", "a splendid view of St. John's historical waterfront", and "spectacular view overlooking the harbour", etc.).

As such, in 1999, these B&B establishments[58]

> *contributed a total of some $2.5 million to the City's economy, including $1.7 million in direct expenditures and an additional $800,000 in indirect (spin-off) benefits.*

2.6.4 Other Tourism Markets

The convention trade contributes an estimated $9 million annually to the St. John's economy. The marketing campaigns used by municipal and provincial authorities highlights, in addition to the other services and amenities that are available, the unique and historic aspects of the City. They would not do so unless it had been determined that these were a significant selling point.

Another important market is the Cruise ship industry, which the City has been actively courting. Visits to the Port of St. John's have been steadily expanding. For example,

- In 1993, the Cruise ship industry contributed about $25,000 to the St. John's economy; in 1998, there were five Cruise ship visits to the City, and these 5,616 visitors contributed an estimated $397,000 to the local economy.
- By November of 1999, cruise ship operators had already booked 41 ports of call in the Province as a whole for the year 2000, and estimates are that 19 of these vessels will stop over in St. John's. If this is an accurate projection, using the average revenue generated per cruise ship in 1998 (about $80,000 per visit), in 2000 this sector can be expected to contribute over $1.5 million to the City's economy.

2.6.5 Overall Tourism Strategy

In 1996, the Province funded a study to identify the unique tourism products the Province has to offer. The *Product Market Match Study* identified opportunities to expand traditional niche markets where Newfoundland has the unique, unusual and distinctive product offerings that these markets are demanding:

> *"Unique culture and heritage" was identified as part of the Province's core*

attractions.

Components include National Historic sites, provincial historic sites, heritage communities, local and aboriginal cultures, festivals, events and lifestyle activities. The major themes and examples of this include, among other things, promotions called *"the Capital City of St. John's/City Experience"*: St. John's is seen as a major attraction unto itself, one which is important because of its unique features, which include: architecture and built heritage, arts and culture, public institutions, the seat of government, nightlife, shopping and artisans/crafts.
The same approach has been adopted by the Avalon Convention and Visitors Bureau, which places special emphasis on unique culture, language and food, unique attractions, the "safe"environment and "rich history", making special note of the fact that the Province has "the oldest City in North America".

Again, these strategies would not be pursued unless the tourism experts had agreed on their market importance.

2.7 Retail Trade

Recent American market studies examined five case studies that included four types of business in cities of varying sizes in four different states. The most significant findings were:

- After making "quality" improvements, businesses consistently experienced above average sales performance;
- All businesses experienced an increase in the annual percentage increase in gross sales the year after improvements;
- A majority sustained such increases for a period of time after improvements;
- A majority experienced an increase in sales above their own business average and above the performance of other local businesses for the same period;
- All businesses experienced favourable customer response following improvements;
- Eighty per cent of the business owners stated that physical improvements significantly affected the increase in sales; and
- All business owners were personally satisfied with the improvements and considered them a good investment.

The *St. John's Downtown Development and Marketing Study Update (1995)* contained several important findings concerning downtown shopping, including:

- The ambience of the downtown, outdoor shopping and specialty stores are the main attractions for the 'downtown shopper' ("Character/Tradition" was noted by 23% of study respondents);
- The downtown is generally regarded to be more important to tourist shopping than the Avalon and Village Malls;
- Over half of survey respondents had visited a restaurant, coffee shop, or bar;
- The largest proportion of downtown shoppers reside in the downtown area;

- Downtown workers are an important market segment.

Members of the St. John's Downtown Development Commission (DDC) agreed:[59]

- Business is up because available retail space is filled and more people are frequenting the downtown area; and
- There is an increased variety of locally-owned specialty businesses (not chain stores);

According to the St. John's Board of Trade this strategy is working. The Board recently reported that storefront occupancy is up, with a 90.9% occupancy rate on Water Street and 89.4% on Duckworth Street.[60] It also highlighted the current "boom" on the residential side, pointing to the quickness of sales and rising prices. A strong connection was drawn between the attractiveness of history, culture and the view of the Harbour and the upsurge in downtown prosperity. The St. John's business community apparently appreciates the sustainable economic development dimensions as well as the intrinsic benefits of downtown's heritage properties and the 'image' which the heritage areas help to create.

The downtown business community believes that the "image" that drives their retail trade is an historic built environment accommodating specialty shops, with high quality merchandise and good customer service.

2.8 Attracting New Residents

Getting people to live in the heart of the city has been crucial to the sustainability of Canada's increasingly fragmented metropolitan areas and to the regenerating of its older downtown districts: St. John's is an excellent example of this trend. In Canada as a whole, leading strategies for effecting "intensification" downtown include: neighbourhood improvements, refitting commercial buildings for multiple-use, transforming vacant or under-utilized upper storey space in main street stores to residences, and the adaptive-reuse of redundant downtown industrial and institutional buildings. In recognition of the urgency of this issue, the Government of Canada recently introduced a new multi-million dollar program to support such efforts.[61]

Entrepreneurial initiatives are being attracted by the provision of live/work space for home-based businesses. Affordable housing (rental and ownership, both market-level and socially-assisted) is particularly important for encouraging low-to moderate-income households to remain in or move to the downtown. The goal is the creation of a vibrant, twenty-four hour downtown, one with character, commerce, and conviviality.

The downtown area of St. John's has a significant stock of under-utilized ICI properties that represent a largely untapped resource for built heritage revival: conversion of under-utilized or vacant upper-floors in commercial properties for residential-use and live/work units holds

particular promise for producing sustainable social and economic benefits. Interviews with the business community disclose encouraging signs that investors are seizing, or at least seriously considering, such opportunities afforded by the wealth of built heritage assets downtown.

2.9 Civic Amenity

2.9.1 The Issue

The term "civic amenity" refers to all those physical characteristics of a place that make it pleasant, interesting, enjoyable or attractive. Others prefer the term 'ambience' to describe this attribute. By whatever name, it is that "special something" that gives a community or district its sense of visual character and distinctiveness. Natural setting and features, as well as all elements of the built environment - from street patterns to structures to open spaces - give such areas their distinctive 'image'. Visual delight, memory and functionality are interwoven to create both a sense of place and a livable and prosperous community. The question is: aside from intangibles like "pleasure", and appeal to tourists (as already described), does it have an *actual economic value*?

The views of the Harbour have been eliciting comment for centuries. The topography of the large natural amphitheatre facing the Harbour also imposed a street plan unlike any other in Canada: the surrounding buildings are left with unusual views not only of the Harbour, but of each other.[62] These views are considered an indispensable selling-point: the postcard view of downtown from the Harbour is front and centre on everything from the official visitor's guide to the St. John's Downtown Development Commission's promotional brochure. There is, however, more tangible, quantifiable economic evidence, as discussed in the next section.

2.9.2 Amenity and Property Value

An obvious barometer of the economic worth and significance of civic amenity is its effect on residential property values.

> *The real estate experts consulted estimate that, on average, investors and new buyers are currently placing a 'premium' on properties "with a view". This premium is presently estimated by industry participants to be between 15-40% of the purchase price.*[63]

While not every one of the homes which have been purchased and renovated in the downtown in the last five years has that 'perfect view' of the Harbour or the Narrows, all or most of them have a special perspective on some aspect of the downtown landscape. In some cases - on streets running parallel to Water St. - the view for most residential properties is primarily oriented to the south, towards the Harbour, while in other cases - on streets with roughly a north-south orientation - the view faces west or east and thus takes in Signal Hill or the Basilica – both commendable views in their own right.

Recent trends in the activities of St. John's residential property developers are revealing. In the past few years, many private property owners, various industry sectors as well as several key commercial sector investors have made a direct - and conscious - investment in the downtown ambience, its 'landscape' and 'view'. The overall value of these investments is substantial though further, more detailed analysis would be required to quantify it in more precise terms.[64]

2.9.3 The Competition for Industry Attention

There is a specific reason why the "picture postcard" view of St. John's is what appears on the literature of the St. John's Downtown Development Commission:

> *A distinctive visual appeal can add to a community's competitiveness on an inter-regional basis and even international basis, in the same way that "prestige" elicits a premium in the local real estate market.*

According to a 1996 survey of members of the Business Council on National Issues, corporate programs related to civic amenity were important in recruiting and retaining skilled employees, in boosting loyalty and morale, and in improving motivation and productivity. A recent *Maclean's* article on "Jobs Jobs Jobs" in the high-tech sector makes the same point, referring specifically to the attraction which heritage can provide to such footloose companies.[65]

It is therefore no surprise that the City's own promotional brochure, *St. John's: Where North America Begins*, highlights and emphasizes the role of heritage as part of the lure to lifestyle-conscious employers and their employees:

- Its illustration of "residential reality" available to incoming firms is that of restored heritage houses;
- Four of seven illustrations in its booklet section entitled "St. John's, Where Living is Cosmopolitan", are of heritage buildings;
- The booklet section entitled "Where Quality of Life Has Meaning" advertises that "St. John's embodies the spirit and charm of old world England and Ireland. Wonderful heritage homes and contemporary condominiums are all available".

These are clearly seen as selling-points to attract global markets while forestalling the tired "this-could-be-anywhere" quality of much current urban development internationally.

Whether it is deliberate or not, this approach has had some real, concrete outcomes. For example, some 'high-tech' and global firms have noted that an important part of their decision to locate in St. John's is due to its 'uniqueness' and 'character'. One oil company property manager noted for example that his company finds this City attractive because of its uniqueness, particularly its present 'skyline', and because St. John's does not 'look like Calgary'.[66]

2.9.4 The Growing Industries in Film and Video

The rapidly growing industry in feature films and/or television productions has frequently chosen St. John's as a prime 'location': more importantly, most of these productions have been 'staged' downtown. During the last five years, a total of 24 film and video productions worth $18.7 million have been undertaken in the Province. In 1998/99 film and video production expenditures were $7.7 million. If industry investment and production patterns are similar to those achieved in the past five years, and assuming no growth in the industry, during the next ten years, film and video industry expenditures are expected to contribute close to $38 million to the Provincial economy. Based on previous trends, approximately 75% of this investment - approximately $28.5 million - will occur in the City of St. John's.

According to the experts (i.e. the practitioners, the people who invest their scarce dollars) in this industry the heritage appearance and ambience of downtown St. John's is a valuable - and highly valued - commodity. Further proof that the industry considers the downtown to be *so* appealing is expressed in the fact that many industry-related groups and organizations have located their offices there, e.g. NIFCO, NLFDC, PAN, FilmCAN, and others.[67]

Some facts about the industry illustrate its economic importance:

- Number of persons directly employed in the Province's film industry (full and part-time): 731
- Number of persons employed indirectly in the Province's film industry (full-time and seasonal): 1,974
- Estimated number of persons currently employed in film industry in St. John's: 300
- Number of film production companies in St. John's: 26
- Number of film industry offices/production studios downtown: 13
- Portion of production value attributable to downtown ambience and amenity: 30%
- Estimated amount spent in 1998/99 utilizing ambience and amenity afforded by the downtown: $1.7 m
- Estimated number of film production jobs created in 1998/99 by downtown civic amenity: 47.8
- Ten-year forecast production expenditure (1995-2005) downtown from civic amenity: $13.5 m [68]
- Number of jobs created by this expenditure: 376

According to the producers of the *Gullages* series, the availability of a unique downtown setting and landscape was essential to the task of selling the series to the CBC - and of securing the 175 full-time and part-time jobs that went with it. According to the producers,

> *"the character of the downtown was actually named as a key 'character' in the series, in the same way that the other lead actors were. Without this added feature the series could have just as easily been made in Halifax, and likely at a much lower cost. 80-90% of the decision to use St. John's as a location for Gullages was based on the available viewshed and character in*

the downtown area".[69]

2.10 Arts and Cultural Industries

Built heritage is both an integral part of, and a potential partner in, the development of the City's arts and culture industry.

Society has long valued arts and culture activities for their intrinsic merit and increasingly for their economic benefits. Heritage buildings and areas furnish facilities and ambience, especially for museums, galleries and the visual and performing arts. They also act as the art object itself (historic architecture and sites) and the inspiration for the themes of film and video, festivals and other creative works. There are many successful national examples of the use of heritage space for such activities.[70] In Newfoundland, the use of an entire village (the Trinity Pageant) is a proven success.

As such, it is not surprising that the *St. John's Arts Community Strategy* (1999) identified existing and prospective partnerships between built heritage revival and the arts and culture in the downtown.[71]

The arts industry represents a significant economic resource for the City and its downtown, district:

- St. John's is home to 655 arts and cultural sector workers, representing 55% of the Province's total;
- The majority of these persons live and work in the downtown area; and
- Downtown-based artists, arts groups and projects obtained approximately half of all the arts grants in the province during 1997-9 (49% by number, 52% by value), worth $2,961,000 to the downtown.

The value of the public and private sector investment in arts and cultural activities in the downtown over the next ten years is projected at $23.8 million.

It appears that most producers and workers in this industry appreciate and enjoy the downtown environment, and many draw inspiration from it. Further, many artists have chosen to live in the area and most of the arts industry organizations and venues are located in the downtown and, each year, performing arts activities and related ancillary and indirect expenditures generate significant economic spin-off activities in the local (downtown) economy. When the appropriate industry performance indicators and 'multipliers' are applied to recent (1999) arts data the indirect and induced economic spin-offs of these industry activities are substantial:[72]

2.11 Environment

There is a growing recognition of what one publication by the Federation of Canadian Municipalities called a "convergence" between heritage and environmental policy.[73] They often involve safeguarding the same resources, facing the same challenges, and drawing upon the same commitment to quality of life, ecosystem health and sustainable development.[74] Conserving the existing building stock, including legally designated heritage structures, has three major benefits for the environment:

- saving and reusing the resources embodied in existing buildings;
- avoidance of further resource demands on ever more fragile ecosystems; and
- reduction of waste.

Concerning the first two points, it is trite to observe that the re-use of existing buildings makes fewer demands on resources than their replacement with new ones. However, agencies like Natural Resources Canada are interested in the building rehabilitation process for a further reason: when Canadian consumers decide to renovate, they almost invariably include energy-efficient upgrades, and these not only reduce energy consumption, but also reduce greenhouse gas emissions substantially.[75] For that reason, NRCan has a permanent seat on the Canadian Renovators' Council, and its representative has taken an interest in this study.[76]

An equally important issue to environmentalists is the large percentage of materials from demolished buildings in the solid waste stream destined for landfill sites. According to Statistics Canada, one out of every three cubic metres hauled away to Canadian landfills is "used construction material". Demolition waste carted away to the St. John's Robin Hood Bay site, according to a City staff interview with the site foreman, is in the same vicinity.[77]

3.0 Conclusions

3.1 Findings

Built heritage revival produces substantial economic and other benefits for St. John's, and can be expected to do so in the future. That makes it a desirable and feasible strategy for sustainable development in the downtown.

Summarized below are the main findings of the report with respect to the downtown St. John's experience, key lessons that can be drawn from this experience and from elsewhere, and some guiding principles revealed in this background paper that can inform a strategy for downtown economic development and heritage preservation.

Ten areas of sustainable benefits were identified.[78] These areas are diverse but inextricably linked.

3.1.1 Renovation Investment

- Over and above special or unique restoration projects (such as Nolan & Hall's BIS project), the estimated value of basic heritage-type work in the City for 2000 is over $10 million, for which the downtown is the "flagship."
- Over the past 14 years renovation has comprised about 65% of all investment in downtown construction and, since 1986, close to $72 million has been invested in residential and non-residential property renovations in downtown St. John's.

3.1.2 Employment

- Within the St. John's Census Metropolitan Area (CMA), basic heritage-type work effected in pre-1945 buildings currently supports 200 jobs.
- Renovation creates a significantly greater amount of *direct* employment at the local level than an identical investment in new construction.
- Total employment (direct, indirect via suppliers, and induced through related economic activity) is substantially higher, in the case of renovation as opposed to new construction, with a rate of job creation better than almost any other industry in Canada.

3.1.3 Property Values

- Pre-1940 buildings account for 88% of all residential properties in downtown St. John's.
- Between 1996 and 1999, residential realty assessment in the study area increased by approximately $17 million, and the traditional downtown accounts for $15.4 million of the total.
- The so-called inner city, which comprises the residential areas nearest the Harbour, accounts for 90% of the increase.
- The six streets in which heritage activity has been highly visible outperformed their neighbours in the value of property transactions.
- Since the traditional downtown and the inner-city are largely covered by legally designated heritage areas, the properties in heritage areas that have experienced heritage-type renovation work or at least been reasonably maintained have increased in value significantly.

3.1.4 Municipal Taxes

- Since property values drive tax assessments, the above increases during 1996/99 indicate that heritage-type renovation has contributed significantly to the net increase in the St. John's tax base downtown.
- In the residential sector alone, heritage-type renovation contributed an estimated $22,476 in increased tax revenue (1996/99) and could be projected to $75,000 over the next ten years.
- In the ICI sector, the projected ten-year tax benefit to the City resulting from basic "heritage-type" work in downtown ICI buildings would be in excess of $250,000.
- This is almost all *net* to the tax base, i.e. making no incremental demands on municipal infrastructure and expenditures.

3.1.5 Tourism

- Between 1996 and 1998, tourism to the City of St. John's increased by 37.1%, and in the latter year, 258,872 out-of-province visitors visited the City, spending an estimated $95.9 million in the St. John's region.
- The City of St. John's is the first of the Province's top five attractions for non-resident auto travellers; 64.4% of these visitors came to the city in 1997.
- One of the reasons St. John's is the primary destination for out-of-province visitors is its critical mass of cultural, historical and natural/scenic attractions.

- Both the Province and the Avalon Convention and Visitors Bureau are marketing St. John's in large measure because of its heritage resources. "Unique culture and heritage" has been identified through the Province's Product Market Match Study as part of the Province's core attractions, and the City of St. John's is seen as a major attraction unto itself; one of the featured "products" has been identified as "Architecture and Built Heritage".
- The Convention Bureau highlights in its promotions, among other things, that the Province has "the oldest City in North America". Built heritage is of critical importance as part of the product package being offered to tourists in St. John's.
- Accommodation provided by downtown establishments trading on heritage is a good indicator of the contribution of heritage to tourism. Total direct and indirect revenues enjoyed by St. John's as a result of the sector in 1999 is estimated at $2.5 million.
- All of the Bed-and-Breakfast establishments in the downtown are located in a heritage property.

3.1.6 Retail Trade

- Both the St. John's Downtown Development Commission and the Board of Trade indicate that the "image" of an historic built environment (accommodating specialty shops together with cultural attractions and the view of the Harbour) are pivotal to the increased prosperity of downtown.
- One indicator of increased prosperity is the rise in storefront occupancy rates to 90.9% on Water Street and 89.4% on Duckworth Street.

3.1.7 Attracting Residents

- Although the population of downtown had been in decline for two decades, the substantial growth in residential renovation in the period 1991 to 1999 has contributed to the stabilization of the population base.
- While there is concern over the potential adverse effects of "gentrification" leading to the displacement or the pricing-out-of-the-market of livyers, there are encouraging signs that investors beginning to recognize the opportunities associated with the renovation of under-utilized or vacant upper floors in commercial properties to convert these spaces for residential-use and live/work units for home-based businesses. This could encourage more people to live in the "heart of the city".

3.1.8 Civic Amenity

- According to the real estate community, new buyers of residential property in the downtown are currently placing an estimated 15-40% premium on properties "with a view". Detailed analysis of recent (1996-1999), real-world property sales transactions' data, supported by consultations with industry professionals, tend to confirm these 'anecdotal' data.
- A distinctive visual appeal also can add to a community's competitiveness on an inter-regional and international basis, in the same way as "prestige" elicits a premium in the local real estate market. The City's promotional brochure, *St. John's: Where North America Begins*, highlights the role of heritage as part of the lure to lifestyle-conscious employers and their employees, and there is evidence that this has had a concrete impact on the locational decisions of corporate managers.
- St. John's film and video industry production firms rank the ambience and amenity of downtown St. John's as a primary reason for selecting the City as a 'location'. They estimate the current and future value of this unique attribute at 30% of anticipated production values and, in 1998/99, this industry invested about $1.7 million as a result. The ten-year (1995-2005) value of film industry production expenditures which can be attributed to the civic amenity of downtown St. John's alone is estimated at $13.5 million.

3.1.9 Arts and Cultural Industries

- The St. John's Arts Community Strategy (1999) plans to designate two downtown heritage properties as primary arts resource centres.
- The St. John's arts industry and cultural community places a significant social, and economic, value on the ambience and character of the downtown; as a result, over the next ten years, the economic contribution of the cultural presence in the downtown to the City's economy is calculated at $23.8 million (or, on a sustaining basis, at $2.4 million per year).

3.1.10 Environment

- When consumers decide to renovate, they almost invariably include energy-efficient upgrades; these investment decisions not only reduce energy consumption but also reduce greenhouse gas emissions.
- Re-use of the built heritage reduces the solid waste carted away to the St. John's Robin Hood Bay landfill site. It is estimated that 30% of the total solid waste stream to this site is "used construction material".

3.2 Key Observations

- Building renovation work that is in keeping with the heritage character of a building or area induces additional rounds of renovation and provides positive support to other construction in a community.
- A given expenditure on building rehabilitation work creates more jobs, dollar for dollar than new construction.
- Heritage revival work has a "distributional" advantage, i.e. it "spreads" income around a community (an objective of sustainable development), especially in respect of *local* job creation and increases in household income.
- The legal designation of heritage areas has had no visible negative effect on property values: in fact, it is these same areas which have attracted the most investment interest.
- Rising property values can nonetheless lead to "gentrification", i.e. displacement of livyers from their traditional neighbourhoods; if property tax increases are substantial in such residential areas, this can be a disincentive for investment in maintenance and improvement for low to moderate-income households.
- Heritage tourism is a top-ranking source of economic benefits. St. John's has a well-established heritage tourism role in the Province; as such, strategies for downtown economic development should be mindful of the growth potential of this sector.
- Physical improvements, especially through heritage revival (e.g. the Main Street Program), have a positive economic impact on retail sales in revitalizing the downtown. A strategy for sustainable development in the City's downtown commercial core can capitalize on the proven track record of heritage as a driving force in downtown revitalization.
- Civic amenity, which includes the ambience and visual character of an area, has a significant role in the process of economic development, heritage conservation and property investment. Protection and enhancement of the attributes which contribute to civic amenity is of pivotal importance to any strategy for the sustainable development of downtown St. John's.
- The St. John's Arts Community Strategy (1999) is consistent with national and international trends in its objective of linking the arts and cultural industries to heritage as mutually supportive strategies in downtown revitalization. A strategy for sustainable development in downtown St. John's can maximize the potential of this partnership.

- Environmental conservation and heritage revitalization are natural partners, especially with respect to the optimum use of physical resources and the reduction of waste.

3.3 Guiding Principles

A number of guiding principles for a downtown St. John's economic development and heritage preservation strategy follow from the findings and key lessons of this background paper. While by no means comprehensive. These are as follows:

- Take a "holistic" view in proposing actions to effect benefits, remembering the axiom of sustainable development that everything connects to everything else.
- Ensure that there are no adverse effects on the disadvantaged segments of the community and seek to maximize the equitable distribution of benefits throughout St. John's society.
- Facilitate the achievement of the City's policy objectives with respect to legally designated heritage areas.
- Integrate built heritage revival policies with all other City of St. John's policies for economic development in the downtown.
- Encourage measures for the collection of necessary data to properly monitor and evaluate the performance of built heritage revival on a regular basis.

Appendix 1

Trends in Development Expenditure, St. John's Downtown 1986-1999

Appendix 2

Trends in Real Estate Values, St. John's Downtown 1986-1999

Trends in Real Estate Values, St. John's Downtown 1986-1999

Analysis of available data on real estate sales transactions in the study area were undertaken in order to examine and assess recent (1996-1999) trends and values in downtown residential property markets. Using the information available from the MLS of the St. John's Real Estate Board, sales transacted in the older residential sections of the City were examined and compared to those which occurred directly within the study area.

Sales data for the Board's MLS Area 3 provided relevant data for a large number of residential property sales in the older residential districts of St. John's. Area 3 encompasses the entire downtown area, but is larger than the study area since it includes other older residential neighbourhoods. The approximate boundaries of Area 3 are as follows: from Quidi Vidi Village to the Boulevard across Empire Avenue to Cashin Avenue, and from there via Campbell Avenue to Patrick Street; from Patrick Street to the Southside Road along the south side of the Harbour; and then, via the Narrows, back to the Battery.

The MLS data provide detailed information on the selling price of individual properties identified by street and civic number, and additional data such as the average selling price of all properties summarized by year. During the period analyzed (1996 to 1999), there were a total of 849 sales transactions in Area 3. About 395 of these transactions were for residential properties within the study area. Commercial properties were excluded, as were sales of multiple units and condominiums.[1]

The 395 single-unit transactions in the study area were examined in detail and, in addition, information on property sales for six representative downtown streets were selected and compared with Area 3 as a whole, as well as for the overall study area. These selected locations included Gower, Bond, Victoria, Pleasant and Patrick Streets and Queen's Road. Property market values on both sides of two streets - Gower and Bond - were examined in more detail. MLS historical data (1987-1999) for Gower Street were also examined in order to assess the longer term trend in this area of the downtown.

These results of the analysis for the period 1996-1999 are summarized below.[2]

General parameters:

- Total residential property sales transactions in MLS Area 3: 849
- Total residential property sales transactions in the downtown: 395
- Portion of sales transactions in the downtown: 46.5%
- Number of transactions on six selected study area streets: 113
- Transactions on selected streets as a portion of all study area sales: 29%

1. Since 1996 to April 23, 2000, there have been 64 condominium sales transactions, including leases, in the study area. The total value of these transactions has been approximately $5.6 million. According to the MLS database, the average per unit selling price was $87,500. At present, residential condominium units are located at 61 Duckworth Street, 39 Queen's Road, Flavin Street, 139 Gower Street, 130 LeMarchant Road, and 58 Queen's Road.

2. Unless otherwise indicated, all data are for the period 1996-1999, though a small number of sales between January-March, 2000, are also included.

- "Selected" transactions as a portion of all MLS Area 3 sales: 13%
- Number of transactions on Gower, Victoria and Bond Streets: 70

Overall Sales and property values:

- Total value of all residential properties sold in MLS Area 3: $55.2 m[3]
- Total value of properties sold in the study area: $25.7 m[4]
- Portion of all Area 3 sales occurring in the study area: 47%
- Total value of all properties sold on six selected downtown streets: $8.8 m[5]
- Portion of the above sales occurring in 1999: 36%

Selected Comparisons

- Average selling price of all residential properties in MLS Area 3: $65,000
- Average selling price of 113 residential properties on six selected streets: $78,500
- Average selling price of 70 properties on Gower, Bond and Victoria Streets: $86,450
- Factor by which the value of properties sold on six selected streets exceeded the Area 3 average price: 1.21
- Factor by which the value of properties sold on Gower, Bond and Victoria Streets exceeded the Area 3 average price: 1.33
- Average selling price of all (207) properties in Area 3 in 1999: $70,000
- Average 1999 selling price of 22 properties on Gower, Bond and Victoria Streets: $98,500
- Factor by which the value of properties sold on Gower, Bond and Victoria Streets exceeded the Area 3 average price in 1999: 1.41

Estimated residential realty tax revenue

- Estimated market value of all 395 properties sold in the study area during the past four years: $31 m[6]
- Estimated residential realty tax revenue these 395 properties will generate for the City of St. John's in the year 2000: $356,500[7]

3. This is a rough estimate calculated by multiplying the total number of transactions (849) in Area 3 over the four year period by the average sales price of $65,000. The actual value of all Area 3 transactions would require adding up each of the 849 sales figures.

4. This is also an estimate calculated in same way as the previous estimate.

5. This is the actual figure for all of the 113 properties sold in these six locations since 1996. This was calculated by adding up the selling price of each of the 113 residential properties sold in these six streets.

6. This figure is calculated using the 1996-1999 average selling price - $78,500 - of the 113 properties on the six selected streets i area, rather than the overall average for Area 3 as whole ($65,000). Thus 395 properties selling at an average price for the n the study period 1996-1999 of $78,500 = $31 million. As noted above, these 113 selected transactions represent a very significant sample (29%) of all property sales in the study area during the past four years. Thus, it is reasonable to use the $78,500 value rather than the overall average for Area 3 ($65,000).

7. This figure was calculated using the current residential property tax mil rate of 1.15%. Thus, every one million dollars worth of residential realty value generates $11,500 in tax revenue for the City.

Two Case studies (1996-1999)

Gower Street

- Total number of property sales: 41
- Total market value of all property sold: $3.63 m[8]
- Number of sales on the north side of the street: 22
- Number of sales on the south side of the street: 14
- Average market price, north side properties: $74,040
- Average market price, south side properties: $105,505
- South versus north side price ratio: 1.43

From the above data, it can be seen that the average price of residential properties on the south side of Gower were 43% higher compared to those on the north side of the street. In 1999 there were 14 property sales on this street. The average market price of six houses on the south side of Gower had risen to $117,800, compared to the eight north side sales whose average selling price was just over $87,000. Thus, in 1999, the north-south price differential was slightly lower - 1.35.

As noted, there has been a particularly strong consumer demand for Gower Street properties in the past few years, but this is part of a well-established trend. For example, since 1987, there have been a total of 128 property transactions on this downtown street. During 1987/1988, a total of 25 houses were purchased: the average market price for that period was $75,000. A number of these properties have changed hands several times since then, each time at a significantly higher price: one property, for example, sold for $59,900 in 1988, for $160,000 in 1998 and then again in late 1999 for $226,000: the property has therefore appreciated in value by a factor of 3.75. This property is presently back on the market at a list price of $289,000. Should it sell at its list price, the value of this particular property will have appreciated by a factor of 4.8 in the space of twelve years.

Bond Street

- Total number of property sales: 18
- Total market value of all property sold: $1.38
- Number of sales on the north side of the street: 9
- Number of sales on the south side of the street: 9
- Average market price, north side properties: $68,433
- Average market price, south side properties: $85,322
- South versus north side price ratio: 1.25

The average selling price of residential properties on the south side of Bond Street in the period 1996-1999 was thus 25% higher compared to those on the north side of the street.

8. As is well known, Gower Street has been a particularly "hot" property market in the past few years, and the MLS data show this quite clearly. For example, property sales on this street represented just over 41% by value, and 37% by number, of all 113 sales that were made in the six selected downtown streets during 1996-1999. In 1999, the 14 properties sold on this street had a market value of $1.4 million. This represented 44% of the total value of all property sales in the six downtown streets for 1999.

Notes

1. Economic analysis depends on systematic collection of pertinent long-term information and consistent definitions of terms used in data gathering. Unfortunately these conditions do not exist in St. John's or in Canada generally. Further, even if such methodological problems did not exist, the limitations of the project budget do not allow for the development and application of an econometric model consistent with accepted standards.

2. The Commission (known as the Bruntland Commission) submitted its report *Our Common Future* to the United Nations in 1987. It further concluded that sustainable development also meant greater equity in the distribution of the benefits of the world's resources. This latter finding, however, has not received as much attention as the Commission intended. Over the last decade, this landmark report has generated considerable debate as well as the development of new policies.

3. For example, in its 1990 report, *Capitalizing on Heritage, Arts & Culture*, the Federation of Canadian Municipalities echoed this perspective as follows:
   - ❑ For human beings "the environment", for most of the time, is buildings, particularly in a climate like Canada's. Intelligent management of the environment necessarily includes the building stock.
   - ❑ Cities are the largest tangible items that a civilization produces. If part of the purpose of sustainable development is to extend the economic lifespan of society's investments, then a logical starting point is revitalizing buildings, neighbourhoods and entire cities.
   - ❑ Canada has an immense investment of some $130 billion of pre-Second World War buildings alone. Any business which had that large an inventory of assets would be trying to capitalize on them.

4. This is now recognized in *CSA Standard S478-95.*

5. The Council of Europe, for example, is now supporting the implementation of such strategies under the name "Integrated Conservation."

6. Each is based fundamentally on the purpose for which the evaluation is being undertaken. Some are meant to demonstrate that conservation and rehabilitation make economic good sense in order to induce private and public investment, while others seek to balance the costs and the benefits, and to target public sector funding to projects most in need. Still others attempt to do both, albeit in different measure, depending on the circumstances.

7. This is the perspective of mainstream economists. Benefits of goods and services are defined as gains/utility that accrue to those who pay for them. A heritage building is viewed as simply a type of real estate. The principal purpose of this approach is to convince potential investors that building rehabilitation is a good investment risk, compared to new construction or another investment opportunity. An ancillary purpose is to identify any difference between the "cost" and "value" which may call for government incentive to help fill the gap. In this calculation, cost is the total expended on the project and value is the price a willing buyer would pay for the rehabilitated building in an open

and competitive market. The strength of this method is that it speaks directly to owners/developers/investors about the financial "bottom line" (risks and rewards). On the other hand, it does not address, systematically, the benefits that accrue to others (externalities). The approach is particularly applicable to the commercial and institutional properties of downtown St. John's.

8. This method examines the total economic effects from "historic preservation". Though econometric models vary in their sophistication, in most cases they use the input-output approach to perform calculations. To calculate the economic impact, one starts with actual project or program costs (including any subsidies) as inputs and follows the dollars to measure outputs. Input-output modelling focuses on the interrelationships of sales and purchases among sectors of the economy. Sampling and estimates are used. The method is widely employed in the United States and usually for broad studies including historic rehabilitation, heritage tourism, historic sites and organizations, historic property values and tax payments. Some studies segregate the rehabilitation of legally designated properties and provide comparative data on rehabilitation as a whole. For example, the input-output study model used by the Centre for Urban Policy Research, Rutgers University, for a study of the State of New Jersey (1997), takes this approach. It is the most comprehensive state-wide study of historic preservation's economic effects ever conducted in the United States. The purpose of this method is to make the case for historic preservation with all stakeholders, but especially for government in determining public policy. In presenting the study findings, the emphasis is on jobs, income, value added (GDP) and taxes paid to all levels of government. The findings of the more rigorous of these input-output studies show a high degree of consistency and, in general terms, may reasonably be expected to apply to the case of St. John's.

9. This method uses a cost-benefits analysis (CBA) approach of which there are at least three principal theoretical models - the Hedonic Pricing Method, the Travel Cost Method, and the Contingent Value Method. These methodologies commonly use surrogate monetary values to measure the effects of externalities. "Option value" - people's willingness to pay to visit a preserved historic building - is one example of a surrogate measure of the building's worth to society. The CBA approach is much favoured in Europe (including the UK) and presents similar information to the input-output models used in the US, while including the surrogate values as indicated above. There are also secondary benefits that could be expected for conservation projects as opposed to competing new development. While this method is certainly more progressive, it is extremely complicated and difficult to communicate to non-economists. However, its strength is in its attempt to show how things such as improved aesthetics of an area have economic benefits, even if they are difficult to measure. Because many reputable economists and European government heritage agencies regard this as a very legitimate method, the welfare economics approach may be quite applicable to the case of St. John's in demonstrating economic benefits beyond that described by the polar opposite school of real estate economics.

10. Some investigators prefer to use a number of different methods in conjunction with one another. Perhaps the best is English Heritage's collaborative economics of conservation research program with the Royal Institute of Chartered Surveyors. In this study, the focus is strictly on legally designated heritage properties ("listed buildings"). The research agenda is long-term and combines a case study approach with the testing of CBA

methods and another technique called Investment Performance Monitoring (IMP). The last has been used since 1993 to monitor on an annual basis the economic performance of prime commercial property nationally, and comparing listed buildings with non-listed properties (essentially modern office buildings). The purpose of this composite research program is to find logical and practical solutions to the problem of ensuring that any increased costs to owners that accrue from the UK's stringent statutory protection for listed buildings are offset by direct or indirect public subsidies, commensurate with the public benefits enjoyed from conservation. The findings of this composite method could be applied in a study of St. John's, at least in a general sense. The results of nearly a decade of IPM research in the commercial property sector is especially instructive.

11. Quality of life considerations involve more than just aesthetics: ancillary improvements can also include safety, security and cleanliness of neighbourhoods.

12. In various cities it has been reported, for example, that support for a heritage district has ancillary effects such as stimulating enterprises that display and/or sell artifacts or reproductions, providing subject material and facilities for the visual arts and crafts industries, and providing themes, audiences and facilities for the performance of music, dance and drama.

13. The facts and performance indicators presented in this section have been extracted from several of the most rigorous recent studies undertaken, primarily from studies undertaken in the United States and the United Kingdom where the state of the art and research investment are considerably in advance of practice in Canada. The results have been measured using one or more of the approaches described in the methodological section above. These data are presented to illustrate the diverse ways in which built heritage revival performs as an economic development strategy.

14. The following figures from the New Jersey findings are illustrative:
    - Total building rehabilitation in State of New Jersey in 1994: $2 billion
    - Estimated percentage of New Jersey rehabilitation in legally designated heritage properties: 6%
    - Percentage of New Jersey rehabilitation in heritage properties in urban areas: 9.3%
    - Percentage of New Jersey heritage property rehabilitation in non-residential buildings: 68%
    - Jobs created per $1 million non-residential heritage rehabilitation in New Jersey: 38.3
    - Jobs created per $1 million on new construction in New Jersey: 36.1
    - Jobs created per $1 million on highway construction in New Jersey: 33.6
    - Total income from heritage rehabilitation in New Jersey: $81 million
    - Gross state product from heritage rehabilitation in New Jersey: $116 million
    - Local taxes paid from heritage rehabilitation in New Jersey: $7 million

15. The following figures from California studies are illustrative:
    - Jobs created per $1 million of new construction in California: 26.5
    - Jobs created from building rehabilitation (general) in California: 31.1

- ❑ Household income created through $1 million in new construction in California: $753,100
- ❑ Household income created through $1 million in building rehabilitation in California: $833,500

16. The average household per trip expenditures of heritage tourism visitors to Maryland is $450.
    - ❑ Average household per trip expenditures of other visitors to Maryland: $250
    - ❑ Ratio of heritage tourism visitor expenditures to other visitor spending in Virginia: 2.5:1

17. The following figures are illustrative:
    - ❑ Ratio of private/public investments to funding by English Heritage in heritage area regeneration: 5:1
    - ❑ Ratio of private investment in the conservation of Grainger Town, Newcastle (UK) to public funding: 5:1
    - ❑ Ratio of private investment to all sources of public expenditures on heritage rehabilitation in Rhode Island: 9:1
    - ❑ Amount of new tax revenues from every dollar in Federal rehabilitation tax credits in Rhode Island: $1.30
    - ❑ Percentage of low-income units created in tax credit housing rehabilitation projects in Rhode Island: 31%

18. Leading the way were the Neighbourhood Improvement Program (NIP) and the Residential Rehabilitation Assistance Program (RRAP) which were nationally sponsored initiatives funded by three levels of government. Five NIP areas were designated in the period 1975-78. Between 1976 and 1982 some $8.8 million was spent under RRAP to upgrade some 1,760 dwellings in these residential districts. A further $10 million was invested under NIP on infrastructure improvements.

19. This Foundation purchased some 28 run down properties in the downtown which it then restored and re-sold. These properties sold slowly at first and at a loss; however, by 1981, the situation had improved and the properties were subsequently sold at prices roughly equal to purchase/renovation cost.

20. The Murray Premises were the major commercial showpiece of the downtown heritage area. Parks Canada contributed $500,000 to the project.

21. The following analysis of benefits from built heritage revival in downtown St. John's is based on the examination of data from a wide range of sources and, by extrapolation, from the findings of studies in other jurisdictions. Additional data is derived from information provided by the City of St. John's, from interviews with key agencies and from study consultations. Some of the local-level benefits data have been analyzed and interpreted based using estimates, surrogate statistics and indicators from other jurisdictions. Where necessary and appropriate, these data have been supplemented with anecdotal information and other informal evidence, drawn primarily from study consultations.

22. Statistics Canada and CMHC combine the data with other "renovations and alterations".

23. Special note needs to be made of the sources of information concerning the nature and size of the building renovation industry since this is of some significance to the analysis and quantification of economic, income and employments benefits for several key areas. There are three main sources of information: Statistics Canada (SC), Canada Mortgage and Housing Corporation (CMHC), the City of St. John's. The relevant St. John's data are derived from information on permit data provided by the City's Building Department. This information was prepared for the Steering Committee in early March and is summarized in a short discussion document "Trends in Development Expenditures, 1986 to 1999". The data used in the present discussion of benefits are presented in four tables at the end of study paper "Trends in Development Expenditures".

The similarities and differences of the kinds of information gathered by these agencies may be summarized as follows. The most detailed figures available are for homeowners' dwellings; figures for rental dwellings are somewhat less detailed; and statistics on the non-residential building stock, the industrial, commercial and institutional sector (ICI) are based on an entirely different methodology. Different categories of work are used by SC and CMHC in segregating expenditures. CMHC covers a broader range of renovation activity, factors in more things and uses more up-to-date survey information than SC. Because of the different methodologies employed, it is not unusual for the CMHC-type approach to differ by a factor of two-to-one from the SC-type approach. The City of St. John's does its own calculations based partly on data from SC and CMHC, and partly on its own building permit figures and other information. Not all categories of work can reasonably be attributed to heritage revival activity.

"Heritage-type" work, as a particular category of "renovations", can be estimated by breaking down the criteria for expenditures into five categories for homeowners' dwellings and allowing two categories for expenditure: (1) repair and maintenance and (2) update of mechanical/electrical systems. Statistics Canada provides data on the overall size of the renovations industry in Canada; however, when the above criteria and assumptions are used, heritage-type work comprises 34.9%, on average, of the total residential renovation sector. It should be noted that none of these data sources attempt to judge whether or not any of the work undertaken is appropriate or fitting for a building of demonstrable heritage character, nor do they segregate their data on the basis of investment in legally designated heritage property versus investment in general residential renovations.

24. However, although various statistical agencies do not consider investment in property renovation to be a benefit, it is generally acknowledged that such investment activities often stimulate or encourage other property owners to make similar improvements. Thus, in a community like St. John's, high-visibility improvement projects (e.g. those in prominent or central locations) in the downtown can have an impact on investment activities elsewhere within the St. John's Census Metropolitan Area. This process may be described as the "demonstration effect" or the "Keeping-Up-With-the-Jones' " phenomenon. In this respect, investment in downtown properties can also be viewed a benefit.

25. CMHC's forecast for residential renovation in the year 2000 was published in *Renovation Market Outlook*, CMHC, February 2000.

26. This figure is simply proportional to population.

27. Pre-1945 dwellings account for approximately 12% of housing in CMA. In the analysis which follows, it is assumed that existing or potential heritage buildings are those constructed before 1945, though it is recognized that this age criterion alone will not capture all properties of heritage character in the existing building stock. The $17 m figure is therefore 12% of the CMA figure ($142 m).

28. Downtown dwellings account for approximately 6.1% of housing in the CMA. In the analysis which follows, it is assumed that existing or potential heritage buildings are those constructed before 1945, though it is recognized that this age criterion alone will not capture all properties of heritage character in the existing building stock.

29. Assuming (to be conservative) that the proportion of non-residential to residential renovations corresponds approximately to the national average of 58%, projected downtown ICI renovation for 2000 is $5 million. The figure is considered conservative because, over the last many years, the City's records suggest that ICI renovations have been outpacing residential renovations.

30. That is $8.6 m for residential work and $5 m for non-residential work for a total of $13.6 m.

31. A common frame of reference for assessing the economic value and benefits of heritage rehabilitation is to compare it with those generated by alternative types of construction. New building construction is most widely used for comparison purposes, but infrastructure improvement (such as new highway construction) is also employed as a secondary comparison. In comparing rehabilitation with new construction, rigorous employment generation models are used to analyze performance with respect to four different types of buildings: single-family and multi-family units, non-residential and civic-institutional buildings. In Canada, however, the task of identifying the employment benefits of the rehabilitation industry has been hampered by the lack of a proper employment generation model for this sector. The CMHC data are from *Canadian Housing Industry Performance and Trends* (CMHC, 1999).

32. CMHC has undertaken two studies - with decidedly different outcomes - of the employment benefits generated by renovations versus new construction. A 1986 report indicated that, dollar-for-dollar of investment, residential renovation created over twice the direct employment of new construction. However the findings of a 1993 consultant's study published by CMHC show residential renovation only very slightly ahead of new construction. Neither study segregates renovation effected in legally designated heritage property from residential renovation generally. As a number of analysts have noted, these data discrepancies are also due to the fact that the two studies used different definitions and data collection methodologies. The different study results may be further qualified if the following points are considered: the 1993 study left out several factors that would have significantly improved the relative position of the renovation sector; the employment benefits generated by renovation activities have a more significant local-level impact compared to new construction, primarily because, in the latter, more of the indirect and

induced employment benefits tend to accrue to locations in Central Canada.

33. This calculation uses CMHC's calculation method and further assumes that the figures for St. John's are roughly consistent with the national average.

34. If one assumes that ICI renovation activities contribute a further 58% of the employment (using CMHC's method), then the total number of direct, indirect and induced jobs in the CMA would be 4,700.

35. If one further assumes that the pre-1945 buildings account for 12% of the total market in the CMA, then the work on pre-1945 buildings sustains about 565 jobs.

36. If one also assumes that the heritage-type work comprises 34.9% (the national average) of the work done on such buildings, then the total number of jobs generated by various kinds of heritage revival work is in the vicinity of 200 (565 x .349 = 197).

37. *The Canadian Renovation Market*, CMHC, 1986.

38. This study was by a firm called DRI. According to DRI, new construction and renovation wind up in virtually a dead heat: for each million dollar expenditure (in 1986 dollars, $1,339,000 in current dollars), new construction produces 29.88 jobs whereas renovation produces 29.74. In other words, if one disregards any discrepancies emanating from the use of the base year of 1992 for employment data and the base year for dollars of 1995, one could reach the following approximate estimate: in the case of both new construction and rehab, the DRI figures would suggest that a full-time job is created in Canada with each investment of slightly less than $45,000.

39. The State of New Jersey study (1997) shows that rehabilitation effected in legally designated heritage properties in this state comprises 6% of the total rehabilitation industry. A comparison of the rehabilitation of legally designated heritage properties (R) to new construction (N) per million dollars of initial expenditure yielded the following performance data for in-state jobs:

Single-Family		**Multi-family**		**Non-residential**		**Civic/Institutional**	
R	**N**	**R**	**N**	**R**	**N**	**R**	**N**
18.4	16.4	18	16.4	19.3	16.7	19	17.2

The New Jersey data indicate that heritage rehabilitation generated, on average, approximately 12% higher employment levels compared to new construction. The comparative employment advantage of rehabilitation ranged from a high of 15.6% with non-residential to a low of 9.8% with multi-family.

In California, building rehabilitation produced 10.7% greater household income benefits compared to new construction. Results from the State of New Jersey are more informative because they segregate rehabilitation effected in legally designated heritage properties from rehabilitation work in general. As of 1994, about $7 million in heritage rehabilitation was effected in Trenton, New Jersey. Heritage rehabilitation generates in-

state income benefits of $661,376 per $1 million of initial expenditures. Therefore, the $7 million in Trenton heritage rehabilitation translates into $5 million worth of income at the state level. While only a small share of the latter amount is, in turn, captured in Trenton, the net to Trenton is meaningful in a city with 12% unemployment and $11,000 per capita income, compared to 6% and $19,000 respectively for the state of New Jersey as a whole. An analysis of these results indicates that, per million dollars of initial expenditure, historic rehabilitation outperforms new construction in producing household income benefits by the following margins:

Single Family/Multifamily	Non-residential Buildings	Civic/Institutional Buildings
7.8%	14.2%	9.6%

As evident from the above data, on average, historic rehabilitation outperformed new construction by 9.8%. Further, despite the different criteria and data collection methods used, the study results are remarkably similar.

40. In the two US studies cited above, the average household income generated by rehabilitation activities was about $747,500 per million in rehabilitation. In downtown St. John's, residential and non-residential renovations' investment was approximately $21.5 million during the period 1995-1999 (see Table 4 in Appendix 1). By extrapolation, using the US data as a proxy, these downtown investments would have generated an additional $16.2 million in household income elsewhere in the economy. Further, considering the comparative advantage of rehabilitation activities, these downtown property improvements would have generated an additional $1.5 million in household income, compared to investment in new construction.

41. These data have been derived from permit data for the period 1986-1999 available from the database of the City's Building Department. This information has been summarized and displayed in tabular and graphic format in Appendix 1.

42. Some post-1940 buildings may also be considered to have heritage character, since the legal designation and conservation of "modern" architecture as heritage properties is becoming increasingly undertaken in Canada and abroad.

43. More detailed data on recent real estate property values and transactions are presented in Appendix 2.

44. This figure is calculated using the 1996-1999 average selling price - $78,500 - of the 113 properties on the six selected streets in the study area, rather than the overall average for Area 3 as whole ($65,000). Thus 395 properties selling at an average price for the period 1996-1999 of $78,500 = $31 million. As noted above, these 113 selected transactions represent a very significant sample (29%) of all property sales in the study area during the past four years. Thus, it is reasonable to use the $78,500 value rather than the overall average for Area 3 ($65,000).

45. This figure was calculated using the current residential property tax mil rate of 1.15%. Thus, every one million dollars worth of residential realty value generates $11,500 in tax

revenue for the City.

46. As is well known, Gower Street has been a particularly "hot" property market in the past few years, and the MLS data show this quite clearly. For example, property sales on this street represented just over 41% by value, and 37% by number, of all 113 sales that were made in the six selected downtown streets during 1996-1999. In 1999, the 14 properties sold on this street had a market value of $1.4 million. This represented 44% of the total value of all property sales in the six downtown streets for 1999.

47. Calculations are based on a national percentage of 34.9% of total residential renovation activity. The tax benefit is calculated as follows: (5.6 x 34.9% x 11,500). It is assumed that the tax benefit of $22,476 occurred over a three year period, or at about $7,500 a year. Hence, over ten years, the benefit would be approximately $75,000.

48. Given the complicated nature of the municipal tax system for non-residential properties, calculating the actual value is no easy matter, however. This issue has been discussed at length, on several occasions, with the relevant City personnel. Among the factors to be considered are the following: whether or not one considers all pre-1940 buildings in the downtown to be heritage structures, or at least have the potential to be classed as such; a second, related consideration concerns the importance of distinguishing between "heritage-type" work and "general" renovations and improvements to non-residential (or residential) properties since a detailed analysis of the City's permit data, in conjunction with a case-by-case examination of the specific properties renovated, would be needed before one could determine what portion of any property improvements comprised "heritage-type" work versus investment in 'general renovations'. Given these factors and considerations, it is evident that some caution is necessary when using the City's building permit data to quantify either the increase in assessed property value, or the actual tax revenue, which investment in the downtown area has generated.

49. This study (from the mid-1970s) focused on the relative *net* benefits of lowrise versus highrise development in the City of North York, Ontario.

50. November 4, 1987.

51. *Capitalizing on Heritage, Arts & Culture,* Ottawa, December 1990.

52. For its part, Canada is the world's 8th most popular tourist destination (1998 - World Tourism Organization). And, it is a growing industry. In the five-year period between 1994 and 1999, Canada's tourism receipts jumped by 25% to more than $47 billion - visitor numbers increased by 18% to more than 18 million - and there was more than a 9% increase in employment to about 518,000 people working in tourism-related jobs.

53. In addition, as the data show, heritage sites improve visitor information, services and overall satisfaction, and encourage visitors to stay longer or come back again. Heritage itself can benefit from tourism. Well-interpreted heritage sites teach visitors their importance and, by extension, can reinforce the value which the local community places on its historical resources.

54. These data actually underestimate the number of Bed-and-Breakfast establishments in the City, and in the downtown area, because several establishments have two or more

separate premises which serve as overflow units during the peak season. As such, the total number of individual buildings utilized by Bed-and-Breakfast operations located in the downtown is likely closer to 25 or more.

55. See *"St. John's Bed & Breakfast and Unique Accommodations"*. The two establishments located close to the boundary of the study area are *Angel House* on Hamilton Avenue and *Oh What a View*, on Signal Hill Road.

56. This figure is based on informal discussions with several B&B operators who indicated that gross revenues of $50,000 per season is probably close to the average considering that some of the larger operations make substantially more than this and that some of the smaller firms make less than this amount.

57. As described for various B&B operations in the brochure *"St. John's Bed & Breakfast and Unique Accommodations"*.

58. Assuming that, on average, each of the seventeen B&B establishments in the downtown had 1999 sales of $50,000, total revenues in that year would have been approximately $850,000. Current room night charges range between $37.00 and $199.00, that is, on average, $60.00 to $90.00 for all establishments. This amounts to about $75.00 per night/per room. The number of client room-nights was therefore 11,333. One may further assume that two-thirds of all B&B customers were couples, and the rest were single persons. In this case (and allowing for late night arrivals), B&B couples spent about 7,000 days in and around the City, and singles spent 3,000 days. If each couple spent an additional $200 per day, and singles just $100 per day, in 1999 their activities generated additional expenditures in the City's economy of about $1.4 million (couples) and $0.3 million (singles): for a total of $1.7 million. As such, total direct and indirect (spin-off) revenues in the City of St. John's in 1999 as a result of the Bed-and-Breakfast sector were in the order of $2.55 million. If we assume (to be conservative) that only one-half of these revenues was due to the heritage character of the Bed-and-Breakfast buildings and/or the streetscape/cityscape and viewshed heritage resources of St. John's, then these attributes were worth at least $1.275 million to the economy of St. John's in 1999.

60. These views were expressed during the meeting between about a dozen members of the DDC and the study team on 3 March 2000.

61. In an article on the revitalization of downtown *(Business News,* March 2000).

62. In December 1999, the federal government announced an enrichment of the Residential Rehabilitation Assistance Program (RRAP), in the amount of $720 million nationally over four years. As part of this announcement, Ottawa introduced a new category of eligible projects under a program called *"Conversion RRAP"* to provide forgivable loans of up to $18,000 per unit, for the kinds of conversions described above.

63. Topography is one of the most obvious manifestations of civic amenity within downtown St. John's. The City's steep-sided Harbour makes an unforgettable picture and shapes the very character of the landscape and the built heritage resources of the downtown. Buildings have been constructed in a "stepped" fashion with a "terraced" arrangement along the various north-south streets that proceed up from the Harbour. Given their

construction along the different contour lines, the buildings on one terrace do not completely obscure the view of the one above it. Access to viewshed is thus afforded to homeowners and other building occupants, particularly for properties on the south side of each terrace.

64. See the discussion on real estate transactions in section 9.4 above, and in Appendix 2. As noted in these analyses, this 'premium' has been expressed both as a portion of the selling price - e.g. between 15 to 40 percent, as well as a concrete dollar figure - e.g. the apparent willingness, and determination, on the part of some buyers to pay an additional $10-15,000 for the relevant property if it can deliver the desired 'view'. (The amount buyers are willing to pay would, of course, vary depending on the particular structure, and its location.)

65. For example, according to City data, close to $10 million has been invested in residential property improvements in the downtown since 1986 (Table 2 Appendix 1); however, in the absence of a very detailed assessment, it is virtually impossible to ascertain what portion of this investment can be attributed to the desire of investors to access, or capitalize on, the downtown's 'civic amenity'. Further, it is likely that the City data do not do not yet account for the substantial investment which has been made in the past few months. For example, the Nolan/Hall projects on Queen's Road (the BIS/O'Connell Hall and Dublin Row development) presently being completed likely involve an investment of between $4.5 and $5.0 million, some or all of which may be reflected in the $10 million figure noted above.

Nevertheless, a significant portion of this investment is likely related to the notion of 'civic amenity'. For example, according to the developers, these high-quality ('Class-A heritage') condominium and townhouse residential units have been developed, and are now being marketed, on the basis of several key promotional and marketing concepts: their 'heritage' ambience, their downtown location and their ability to satisfy the expectations of consumers willing to pay a significant premium for an exclusive access to the downtown ambience and view. In other words, this multi-million dollar project owes much of its rationale, and financial return, to the notion of 'civic amenity'.

This is clearly evident from the text of the promotional materials which Nolan/Hall are presently using to market and sell these residential properties: For example, "The Hawthornes" - with seven units priced between about $295,000 and $1,000,000 - are being advertised as living spaces "with breathtaking views...for those who can live anywhere, but choose downtown". And the Dublin Row townhouses - five individual, attached units one of which has just sold for $395,000 - are described as "exclusive townhouses..with an incredible view". As such, there can be no doubt that their 'flavour' and ambience is decidedly 'downtown' and that access to 'view' is a key selling point. Indeed it is obvious that both of these features have been deliberately built into, and reflected in, the asking price.

66. In "Jobs Jobs Jobs", an article that appeared in the March 20th 2000 issue of *Maclean's*, "George Cwynar, President and CEO for the Kanata-based semiconductor provider Mosaid Technologies Inc., agrees that finding the best people has become much tougher, especially over the past six months or so. In that period, the 200-employee company has hired about 35 new staff including engineers, sales and marketing personnel, and people

who oversee operations and manufacturing. Mosaid is looking to fill 30 or 40 more positions. Cwynar says the company is proud of the extras it offers, such as an attractive office complex that includes a converted heritage home, a park-like setting, a lounge for employees and a pool room. But like many other firms, Mosaid is facing increasingly stiff ... competition."

67. The Petro-Canada manager noted that the "would be a shame if St. John's followed the Calgary model...and suggested that the 'low-rise' option was most attractive".

68. These are the Newfoundland Independent Filmaker's Co-op (NIFCO), the Newfoundland and Labrador Film Development Corp. (NLFDC), the Producers' Association of Newfoundland (PAN) and FilmCAN. There is also the local Association of Canadian Television and Radio Artists (ACTRA).

69. This calculation is based on the following assumptions: 1. average annual production value during 1995-2000, overall Province = $3,745,708; 2. portion which has likely been spent in St. John's during the past five years = $3,745,708 x .75 = $2,809,281; 3. portion of production expenditures related to the ambience and amenity in downtown St. John's = $2,809,281 x 0.30 (i.e. a 30 % "amenity factor") = $842,784; 4. Amount which has been, and will continue to be, spent over the ten-year period = $842,784 x 10 = $8,427,844; 5. Portion of overall expenditures on Gullages associated with downtown amenity according to the producers = $2,100,000, 6. Portion of overall expenditures on "Jinkie Drover" associated with downtown amenity according to the producers = $3,000,000 and 7. Industry investment and production patterns in the next five years continue at their 1995/2000 level. The sum total of these values is $13,527,844.

70. This company, Picture Plant Productions, based in Halifax and St. John's, provided some detailed information. The *Gullages* series for CBC television had a total investment of approximately $3.75 million. All of this was spent in staging and filming *Gullages* in the study area. During the 20 months that the series was being made in the City, *Gullages* employed 175 people.

During the *Gullages* shoot, deliberate efforts were made to capture and utilize the available downtown views at several key locations: from the vantage point of the set constructed next to O'Donnel Hall on Queen's Road, and from Nunnery Hill, where the main set - an existing residential property - overlooked the downtown area and the Harbour. The producers, and their director of photography, focused the cameras on numerous downtown view planes and streetscapes, and on the exteriors of buildings available at all locations. In fact, curiously enough, one entire episode of *Gullages* was devoted entirely to the topic of 'viewshed'.

The cityscape and streetscape of St. John's, and the downtown's viewshed, are thus considered to be key elements for this expanding, and economically important, industry. Another example comes from a 1999 review of the award winning film, Extraordinary Visitor which makes a special reference to the location of this movie: "the Pope in Rome ... is mystified that God would choose an out-of-the-way [place like St. John's] for John the Baptist's crucial assignment.. . but its not so peculiar after all. *The St. John's of Extraordinary Visitor looks very much like a place where things begin and end, where the*

world peers down at itself and sees what it has lost; and what, given a miracle or two, it might yet regain." (See "ARTSatlantic", Fall/Winter 1998-95 Volume 16 Number 2, p. 56.)

71. Partnerships between the arts, heritage and culture have been catalysts for downtown revitalization in Canada since the 1960s: the Young People's Theatre Centre in Toronto is an early example, one that involved the conversion of a former warehouse, now a commonplace in urban regeneration. As part of its CulturePlan, Kitchener is currently pursuing a $1 million project to create art studios in an existing heritage area of the downtown core, and the City also plans to spend $1.5 million to convert a former downtown department store into a children's museum. Many other places from Roanoke, Virginia to Manchester, England are creating arts centres in redundant commercial, industrial and institutional buildings.

72. For example, Objective 5.3.1 specifies a plan to designate as primary arts resource centres two properties - the Anna Templeton Centre and Devon House - with significant heritage character, and others remain to be determined.

73. These indicators are from two Canada Council reports published some years ago, and were used in a previous study for the City of St. John's, "The York Theatre: An Arts Centre for Downtown St. John's" prepared by BFL Consultants Limited and S. Canning in 1988. The relevant Canada Council reports are: 1. "Performing Arts Data Base", Canada Council, Research and Evaluation, October, 1986; and "A Short-Hand Technique for Estimating the Economic Impact of the Performing Arts", Canada Council, Research and Evaluation, March 1982. According to Statistics Canada and the Canada Council, the income multiplier for the arts industry (for cities with a population less than 250,000) is 1.3.

74. *Capitalizing on Heritage, Arts and Culture*, Federation of Canadian Municipalities, Ottawa 1990.

75. There is a particularly good fit, for example, between the environmentalists' credo of the 3Rs (reduce, re-use and recycle) and its adaptation to the built heritage revival 3Rs (retain, renovate, repair).

76. The issue is the relationship between energy retrofit and building rehabilitation. Natural Resources Canada calculates the energy performance of housing on a scale of 0 to 100. If a "typical" house with a score of 61 were upgraded to 71, estimates indicate that: (a) energy saving would be 52 gigajoules (GJ) per year; (b) saving in monetary terms would be $370 per year; and (c) carbon dioxide (greenhouse gas emission) reduction would be 2.6 tonnes per year.

77. This representative, Ms. Barbara Mullally-Pauley, has for example offered her own suggestions to the study team on the subject of windows. There is a challenge, however, in reconciling the objectives of energy conservation with those of "sensitive" built heritage revival because of the character of "Low E" windows now available from Newfoundland's manufacturers. The issue turns on whether the manufacturers could be induced to produce an aesthetically acceptable window for individually designated properties or properties that may merit such legal designation, either in the designated

heritage areas or outside. Preliminary enquiries by the study team have concluded that there are reasonable grounds for cautious optimism.

78. Telephone interview with Ms. Gerri King who, in turn, interviewed the site manager.

79. Where appropriate, results have been qualified by the use of the terms "estimated" or "extrapolation" or "speculative", indicating the degree of certainty involved. The main benefits of built heritage revival are summarized below. Readers are urged to view these within the context of the full discussion given earlier.